

# FISCAL NOTE

**Bill #:** SB0111

**Title:** Exempting intangible personal property from taxation

**Primary**

**Sponsor:** Senator DePratu

**Status:** Second Reading

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Sponsor signature	Date	Dave Lewis, Budget Director	Date
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**Fiscal Summary**

	<b><u>FY2000</u></b> <b><u>Difference</u></b>	<b><u>FY2001</u></b> <b><u>Difference</u></b>
<b>Expenditures:</b>		
General Fund	295,344	378,946
<b>Revenue:</b>		
General Fund		(\$395,772)
State Special Revenue		(39,667)
<b>Net Impact on General Fund Balance:</b>	<b>(295,344)</b>	<b>(774,718)</b>

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<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

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**Fiscal Analysis**

**ASSUMPTIONS:**

1. For purposes of calculating administrative expenses, taxpayers will be required to report annually their taxable intangible property.
2. Assumes that the intangible personal property is severable and transferable.
3. The bill requires the department to value intangible personal property currently not separately valued. This will require an additional 3 appraisers.
4. There will be legal challenges to the value established for intangible personal property, which requires an additional attorney.
5. The exemption of intangible personal property from taxation as proposed by this bill could cause a significant decrease in taxable value for class 9 and class 12 property.
6. The estimated tax revenue loss due to exempting intangibles is \$1,500,000 in FY01. However, due to the lack of historical data on separately assessed intangible personal property, the impact of the bill could be a

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larger revenue loss. Conversely, revenue could increase due to the assessment of intangible personal property not previously assessed.

7. The estimated loss in property tax revenue due to exempting intangible value from centrally assessed companies' property tax values on which the 95 mill is levied is \$393,646 for FY01.
8. The estimated loss in property tax revenue due to exempting intangible value from centrally assessed companies' property tax values on which the 1.5 vo-tech mill is levied is \$2,126 for FY01.
9. The estimated loss in property tax revenue due to exempting intangible value from centrally assessed companies' property tax values on which the 9 mill state assumption of welfare is levied is \$14,805 in FY01.
10. The estimated loss in property tax revenue due to exempting intangible value from centrally assessed companies' property tax values on which the 6 mill university mill is levied is \$24,862 in FY01.
11. The estimated loss in property tax revenue due to exempting intangible value from centrally assessed companies' property tax values on local governments is \$1,064,561 in FY01.
12. The reduction in taxable values will cause school districts to increase GTB levies in FY2001 to maintain minimum budgets required under section 20-9-308(1)(a), MCA. The higher levies will increase the amount of state GTB aid by \$133,676. In subsequent years the statewide GTB will be adjusted resulting in changes in state GTB aid.

FISCAL IMPACT:

	<u>FY2000</u> <u>Difference</u>	<u>FY2001</u> <u>Difference</u>
FTE	4.0	4.0
<u>Expenditures:</u>		
Personal Services	137,981	136,892
Operating Expenses	149,363	108,378
Equipment	8,000	
School GTB		<u>133,676</u>
Total	295,344	378,946

Funding:

General Fund (01)	295,344	378,946
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Revenues:

General Fund (01)		(\$395,772)
State Special Revenue (02)		(\$39,667)

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$295,344)	(\$774,718)
State Special Revenue (02)		(\$39,667)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local governments would lose \$1,064,561 in FY01.

The reduction in property tax value resulting from this bill will cause some school districts which budget at the BASE level, the minimum required under section 20-9-308 (1)(a), MCA, to increase taxes to maintain the minimum budget. Such increases will require a vote under provisions of CI75.

LONG-RANGE IMPACTS:

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The long-range impacts for FY02 and each succeeding fiscal year should be at FY01 impact levels, adjusted by the growth rate of class 9 and 12 property (estimated at an average of 2% per year). These amounts are \$403,688 for general fund loss, \$40,460 for state special revenue loss, and \$1,085,852 for local government revenue loss in FY02